

EAST CENTRAL IOWA
COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

YEARS ENDED JUNE 30, 2016, 2015 and 2014

- Prepared By -

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EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>County</u>	<u>Term Expires</u>
Dave Fish	Member	Benton	12-31-17
Kathleen VanSteenhuyse	Vice-Chairperson	Benton	12-31-16
Todd Wiley	Member	Benton	12-31-16
Kevin Heitshusen	Member	Iowa	12-31-18
Vicki Pope	Member	Iowa	12-31-18
Tony Hocamp	Member	Iowa	12-31-16
Aaron Moniza	Member	Johnson	12-31-16
Cami Rasmussen	Member	Johnson	12-31-16
Pauline Taylor	Member	Johnson	12-31-16
Sara Morlan	Member	Johnson	12-31-16
Dusty Embree	Member	Jones	12-31-18
Jon Zirkelbach	Member	Jones	12-31-17
Alan Johnson	Chairperson	Jones	12-31-18
Don Gray	Member	Linn	12-31-17
Ben Rogers	Member	Linn	12-31-17
John Harris	Secretary/Treasurer	Linn	12-31-18
Darrin Gage	Member	Linn	12-31-16
Jasmine Almoayed	Member	Linn	12-31-16
Bob Yoder	Member	Washington	12-31-17
Brent Hinson	Member	Washington	12-31-16
Ed Raber	Member	Washington	12-31-18



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Central Iowa Council of Governments
Cedar Rapids, IA 52401

Report on the Financial Statements

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the East Central Iowa Council of Governments (ECICOG), as of and for the years ended June 30, 2016, 2015 and 2014 and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ECICOG as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions on pages 4 through 6 and 19 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ECICOG's basic financial statements. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 14, 2016 on my consideration of ECICOG's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering ECICOG's internal control over financial reporting and compliance.



Charles City, Iowa
November 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Central Iowa Council of Governments (ECICOG) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. I encourage readers to consider this information in conjunction with ECICOG's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ECICOG's operating revenues decreased 34.7%, or \$1,660,271, from fiscal 2015 to fiscal 2016. Federal funds decreased \$1,621,884 in 2016 due to decreased CDBG funds and revolving loan funds.
- ECICOG's operating expenses decreased 16.5%, or \$724,856 in fiscal 2016 from fiscal 2015. The decrease in expenses is also due to decreased CDBG funds during the fiscal year.
- ECICOG's net position decreased 8.9%, or \$448,676, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

The East Central Iowa Council of Governments is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to ECICOG's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of ECICOG's financial activities.

The Statements of Net Position present information on ECICOG's assets and deferred outflows of resources less the Agency's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of ECICOG is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses and whether ECICOG's financial position has improved or deteriorated as a result of the year's activities. ECICOG's financial position tends to be somewhat dynamic as the Agency's programs can change from year to year, e.g., the number of vehicles purchased or the number of grants administered.

The Statements of Cash Flows present the changes in ECICOG's cash and cash equivalents during the year. This information can assist readers of the report in determining how ECICOG financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the grant activity. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of ECICOG's financial position. ECICOG's net position for fiscal 2016 totaled approximately \$4,513,022. This compares to approximately \$5,030,035 at the end of fiscal 2015. A summary of ECICOG's net position is presented below.

Net Position		June 30,	
		2016	2015
Current assets		\$ 1,678,156	\$ 3,198,990
Non-current assets		2,905,621	2,065,955
Capital assets at cost, less accumulated depreciation		580,447	698,150
Total assets		<u>\$ 5,164,224</u>	<u>\$ 5,963,095</u>
Deferred outflows of resources		<u>\$ 110,826</u>	<u>\$ 77,667</u>
Current liabilities		\$ 51,372	\$ 380,132
Noncurrent liabilities		576,435	456,499
Total liabilities		<u>\$ 627,807</u>	<u>\$ 836,631</u>
Deferred inflows of resources		<u>\$ 134,221</u>	<u>\$ 174,096</u>
Net position:			
Reserved		\$ 588,079	\$ 629,450
Unreserved		<u>3,924,943</u>	<u>4,400,585</u>
Total net position		<u>\$ 4,513,022</u>	<u>\$ 5,030,035</u>

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received from federal grants, state grants, and other local sources. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015 is presented below:

Changes in Net Position		Year Ended June 30,	
		2016	2015
Operating Revenues:			
Grants		\$ 2,061,232	\$ 3,645,438
Program reimbursements and other local sources		1,069,021	1,145,086
Total operating revenues		<u>\$ 3,130,253</u>	<u>\$ 4,790,524</u>
Operating Expenses		<u>3,748,545</u>	<u>4,405,064</u>
Operating Income (loss)		<u>\$ (618,292)</u>	<u>\$ 385,460</u>
Non-operating revenues (expenses):			
Interest income		\$ 101,279	\$ 96,116
Gain (loss) on sale of fixed assets		-	14,235
Net non-operating revenues (expenses)		<u>\$ 101,279</u>	<u>\$ 110,351</u>
Change in net position		<u>\$ (517,013)</u>	<u>\$ 495,811</u>
Net position beginning of year		<u>5,030,035</u>	<u>4,534,224</u>
Net position end of year		<u>\$ 4,513,022</u>	<u>\$ 5,030,035</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a negative year with a decrease in the net position at the end of the fiscal year.

- Net position for the year decreased \$517,013. This decrease was due to revolving loans written off during the year.
- ECICOG's operating expenses (without depreciation) were \$3,486,967 and operating revenues were \$3,130,253. With depreciation, the total expenses were \$3,748,545 and operating revenues remained at \$3,130,253.
- The Agency had decreased revenue in 2016 due to less programs for businesses and individuals impacted by the floods of 2008. Federal jumpstart funds were approximately \$609,598 for the fiscal year. The jumpstart funds are projected to decrease from fiscal year 2016 to fiscal year 2017. Federal capital assistance was \$119,870 for 2016. In 2015 Federal capital assistance was \$63,274.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes federal and state support, program reimbursements and other revenue, reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2016, ECICOG had approximately \$580,447 invested in capital assets, net of accumulated depreciation of approximately \$3,797,021. Depreciation expense totaled \$261,578 for fiscal year 2016. More detailed information about ECICOG's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The East Central Iowa Council of Government's Board of Directors (with input from local elected officials and citizens) considered various factors when setting the fiscal year 2017 budget and fees that will be charged for Agency activities. ECICOG general operations are expected to remain consistent with the previous year, but could vary according to contracts received during the year.

CONTACTING ECICOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of ECICOG's finances and to show ECICOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact East Central Iowa Council of Governments, 700 16th Street NE, Cedar Rapids, Iowa 52402.

Basic Financial Statements

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF NET POSITION
JUNE 30, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 633,188	\$2,544,822	\$1,785,693
Prepaid expenses	14,409	14,769	14,343
Accounts receivable	151,194	131,219	147,977
Revolving loans receivable	879,365	508,180	408,595
Total current assets	<u>\$1,678,156</u>	<u>\$3,198,990</u>	<u>\$2,356,608</u>
Noncurrent assets:			
Prepaid software agreement	\$ -	\$ 38,632	\$ 38,632
Revolving loans receivable	2,905,621	2,027,323	1,856,800
Total noncurrent assets	<u>\$2,905,621</u>	<u>\$2,065,955</u>	<u>\$1,895,432</u>
Fixed assets:			
Furniture and equipment	\$ 79,835	\$ 79,835	\$ 77,818
Vehicles - unrestricted	679,796	667,249	688,161
Vehicles - restricted	3,575,213	3,477,101	3,535,432
Leasehold improvements	42,624	42,624	42,624
Total	<u>\$4,377,468</u>	<u>\$4,266,809</u>	<u>\$4,344,035</u>
Less accumulated depreciation	<u>(3,797,021)</u>	<u>(3,568,659)</u>	<u>(3,421,234)</u>
Net fixed assets	<u>\$ 580,447</u>	<u>\$ 698,150</u>	<u>\$ 922,801</u>
Total assets	<u>\$5,164,224</u>	<u>\$5,963,095</u>	<u>\$5,174,841</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	\$ 193,585	\$ 77,667	\$ -
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ 603	\$ 357,923	\$ 1,751
Accrued benefits payable	50,769	22,209	44,237
Total current liabilities	<u>\$ 51,372</u>	<u>\$ 380,132</u>	<u>\$ 45,988</u>
Noncurrent liabilities:			
Net pension liability	\$ 576,435	\$ 456,499	\$ -
Total liabilities	<u>\$ 627,807</u>	<u>\$ 836,631</u>	<u>\$ 45,988</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues:			
Pension related deferred inflows	\$ 148,643	\$ 174,096	\$ -
NET POSITION:			
Reserved (Note 2)	\$ 588,079	\$ 629,450	\$ 751,418
Unreserved	3,993,280	4,400,585	4,377,435
Total net position	<u>\$4,581,359</u>	<u>\$5,030,035</u>	<u>\$5,128,853</u>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016, 2015 and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:			
Federal funds	\$ 1,529,004	\$ 3,150,888	\$ 2,294,889
State funds	532,228	494,550	501,448
Local funds	1,069,021	1,145,086	1,111,854
Total operating revenues	<u>\$ 3,130,253</u>	<u>\$ 4,790,524</u>	<u>\$ 3,908,191</u>
OPERATING EXPENSES:			
Salaries and fringe benefits	\$ 942,452	\$ 954,089	\$ 946,312
Payroll taxes	62,586	63,254	61,109
Travel	29,783	21,940	26,661
Travel - professional development	8,608	10,438	8,432
Utilities	9,081	9,863	9,483
Pass-thru	1,607,217	2,832,157	1,262,004
Contracted services	92,415	70,603	63,506
Office expense	6,234	5,185	5,444
Printing and copying	8,050	6,229	8,712
Advertising	3,922	1,304	1,960
USDA expense	4,689	-	-
IFA home buyers assistance	6,048	-	-
Dues and subscriptions	14,560	12,442	12,166
Rent	46,800	46,350	45,000
Education and training	5,356	6,171	4,877
Insurance	19,834	19,883	20,016
Repairs and maintenance	-	1,377	-
Legal and accounting	17,039	14,415	14,007
Special legal	(7,463)	20,438	9,689
Depreciation	261,578	299,962	417,999
Freight and postage	2,641	2,631	2,530
Summer library reading	1,244	1,596	2,230
JC-FHLB	1,198	771	539
Tama county swap	-	3,966	22,766
Bad debt expense	536,336	-	-
Total operating expenses	<u>\$ 3,680,208</u>	<u>\$ 4,405,064</u>	<u>\$ 2,945,442</u>
Operating Income	<u>\$ (549,955)</u>	<u>\$ 385,460</u>	<u>\$ 962,749</u>
Non-operating revenues (expenses):			
Interest income	\$ 101,279	\$ 96,116	\$ 83,640
Interest expense	-	-	(630)
Gain (loss) on sale of fixed assets	-	14,235	6,198
Net non-operating revenues (expenses)	<u>\$ 101,279</u>	<u>\$ 110,351</u>	<u>\$ 89,208</u>
Change in net position	\$ (448,676)	\$ 495,811	\$ 1,051,957
Net position beginning of year	<u>5,030,035</u>	<u>4,534,224</u>	<u>4,076,896</u>
Net position end of year	<u>\$ 4,581,359</u>	<u>\$ 5,030,035</u>	<u>\$ 5,128,853</u>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016, 2015 and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:			
Cash received from local sources	\$ 1,068,798	\$1,114,137	\$1,107,063
Cash received from state operating grants	532,228	490,520	498,728
Cash received from federal operating grants	1,409,134	3,139,351	1,935,471
Cash paid for salaries and benefits	(1,044,815)	(1,017,818)	(922,168)
Cash paid for other suppliers of goods and services	(2,168,436)	(2,795,275)	(1,567,013)
Net cash provided by operating activities	<u>\$ (203,091)</u>	<u>\$ 930,915</u>	<u>\$1,052,081</u>
Cash flows from noncapital financing activities:			
Cash received from line of credit	\$ -	\$ -	\$ 37,500
Cash used to repay line of credit	-	-	(75,000)
Net cash used by noncapital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,500)</u>
Cash flows from capital and related financing activities:			
Cash received from federal capital grants	\$ 119,870	\$ 63,274	\$ 293,700
Net acquisition of fixed assets	(143,875)	(75,311)	(363,852)
Cash received from asset sales	-	14,235	6,198
Net cash used by capital and related financing activities	<u>\$ (24,005)</u>	<u>\$ 2,198</u>	<u>\$ (63,954)</u>
Cash flows from investing activities:			
Cash paid for revolving loan funds	\$ (2,580,700)	\$ (892,000)	\$ (759,250)
Cash received from revolving loan funds	794,883	621,900	416,256
Interest received	101,279	96,116	83,640
Net cash provided (used) by investing activities	<u>\$ (1,684,538)</u>	<u>\$ (173,984)</u>	<u>\$ (259,354)</u>
Net increase (decrease) in cash	\$ (1,911,634)	\$ 759,129	\$ 691,273
Cash and cash equivalents beginning of year	<u>2,544,822</u>	<u>1,785,693</u>	<u>1,094,420</u>
Cash and cash equivalents end of year	<u>\$ 633,188</u>	<u>\$2,544,822</u>	<u>\$1,785,693</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income(loss)	\$ (549,955)	\$ 385,460	\$ 962,749
Adjustments for long-term non-cash items:			
Depreciation	261,578	299,962	417,999
Revenues and expenses not classified as operating	416,464	(63,282)	(294,329)
Change in assets and liabilities:			
(Increase) decrease in prepaid expenses	38,992	(426)	114
(Increase) decrease in accounts receivables	(19,975)	16,758	(57,409)
Increase (decrease) in accounts payable	(357,320)	356,172	(1,187)
Increase (decrease) in accrued benefits payable	28,560	(22,028)	24,144
Increase (decrease) in net pension liability	119,936	(205,391)	-
(Increase) decrease in deferred outflow of resources	(115,918)	(10,406)	-
Increase (decrease) in deferred inflow of resources	(25,453)	174,096	-
Net cash provided by operating activities	<u>\$ (203,091)</u>	<u>\$ 930,915</u>	<u>\$1,052,081</u>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630</u>

See Notes to Financial Statements.

Basic Financial Statements

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016, 2015 and 2014

(1) Organization

The East Central Iowa Council of Governments (ECICOG) is an Inter-Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 10 which includes Benton, Iowa, Johnson, Jones, Linn and Washington counties. ECICOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). ECICOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. ECICOG also provides transportation services to the elderly, disabled and rural areas through East Central Iowa Transit. In performing its duties, ECICOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

Reporting Entity

For financial reporting purposes, ECICOG has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with ECICOG are such that exclusion would cause ECICOG's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of ECICOG to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on ECICOG. ECICOG has no component units which meet the Governmental Accounting Standards Board criteria.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounts of ECICOG are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(b) Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016, 2015 and 2014

(2) **Summary of Significant Accounting Policies** - continued

ECICOG applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

ECICOG distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the ECICOG's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(c) Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents - The cash balances are invested. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by ECICOG as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Furniture and Equipment	\$ 250
Vehicles	500
Leasehold Improvements	500

Capital assets of ECICOG are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Furniture and Equipment	7-10
Vehicles	5-7
Leasehold Improvements	10-15

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016, 2015 and 2014

(2) Summary of Significant Accounting Policies - continued

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Agency after the measurement date but before the end of the Agency's reporting period.

Accrued Benefits Payable - Accrued benefits payable are paid time off and compensatory time and have been accrued as liabilities on the statement of net position. These current liabilities have been computed based on rates of pay in effect at June 30, 2016.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on IPERS investments.

Reserved Net Position - Reserved net position represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

(3) Cash and Investments

ECICOG's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

ECICOG is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016, 2015 and 2014

(3) Cash and Investments - continued

ECICOG had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - ECICOG's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of ECICOG.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and equipment	\$ 79,835	\$ -	\$ -	\$ 79,835
Vehicles	4,144,350	143,875	33,216	4,255,009
Leasehold improvements	42,624	-	-	42,624
Total capital assets being depreciated	<u>\$4,266,809</u>	<u>\$ 143,875</u>	<u>\$ 33,216</u>	<u>\$4,377,468</u>

Less: accumulated depreciation for:

Furniture and equipment	\$ 76,106	\$ 3,057	\$ -	\$ 79,163
Vehicles	3,449,929	258,521	33,216	3,675,234
Leasehold improvements	42,624	-	-	42,624
Total capital assets being depreciated, net	<u>\$3,568,659</u>	<u>\$ 261,578</u>	<u>\$ 33,216</u>	<u>\$3,797,021</u>
Total capital assets, net	<u>\$ 698,150</u>	<u>\$ (117,703)</u>	<u>\$ -</u>	<u>\$ 580,447</u>

(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Agency, except those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016, 2015 and 2014

(5) Pension Plan - continued

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016, 2015 and 2014

(5) Pension Plan - continued

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Agency contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Agency's contributions to IPERS for the year ended June 30, 2016 totaled \$68,910.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Agency reported a liability of \$576,435 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Agency's proportion was 0.011595%, which was a decrease of 0.000315% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Agency recognized pension expense of \$46,902. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,709	\$ -
Changes of assumptions	15,871	-
Net difference between projected and actual earnings on IPERS investments	86,246	134,221
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	13,849	14,422
Agency contributions subsequent to the measurement date	68,910	-
Total	<u>\$ 193,585</u>	<u>\$ 148,643</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016, 2015 and 2014

(5) Pension Plan - continued

\$68,910 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2017	\$ (17,168)
2018	(17,168)
2019	(17,168)
2020	26,397
2021	1,139
Total	<u>\$ (23,968)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016, 2015 and 2014

(5) Pension Plan - continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Agency's proportionate share of the net pension liability	\$1,009,234	\$ 576,435	\$ 211,122

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Operating Lease

ECICOG leases its office space on an operating lease basis. The lease calls for lease payments as described below. In addition, ECICOG is responsible for any leasehold improvements. Total rental and lease expense for the year ended June 30, 2016 was \$46,800.

Future rental payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2017	\$ 46,800
2018	<u>15,600</u>
	<u>\$ 62,400</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016, 2015 and 2014

(7) Risk Management

ECICOG is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. ECICOG assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TWO YEARS*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.011595%	0.011280%
Agency's proportionate share of the net pension liability	\$ 576	\$ 456
Agency's covered-employee payroll	\$ 772	\$ 779
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	74.61%	58.50%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Accompanying Independent Auditor's Report.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
SCHEDULE OF AGENCY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TWO YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 69	\$ 71
Contributions in relation to the statutorily required contribution	<u>(69)</u>	<u>(71)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 772	\$ 799
Contributions as a percentage of covered-employee payroll	8.93%	8.93%

See Accompanying Independent Auditor's Report.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016**

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2016

	STA Oper Assistance	Capital #34-0003- 100-14	Capital #85-0034- 100-15	Operating #18-0031- 100-16	Operating #16-X005- 100-15
Operating Expenses:					
Personal Services	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual Services	471,402	-	-	1,301,518	1,323,243
Capital Outlay	-	71,743	73,612	-	-
Prior Year	-	36,992	-	-	-
Project Cost	\$ 471,402	\$ 108,735	\$ 73,612	\$ 1,301,518	\$ 1,323,243
Grant Participation in Project Cost	100%	85%	80%	50%	80%
Percentage Participation	<u>\$ 471,402</u>	<u>\$ 92,423</u>	<u>\$ 58,889</u>	<u>\$ 650,759</u>	<u>\$ 1,058,594</u>
Contract Amount	<u>\$ 473,705</u>	<u>\$ 101,150</u>	<u>\$ 133,600</u>	<u>\$ 393,280</u>	<u>\$ 190,340</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 471,402	\$ 92,423	\$ 58,889	\$ 393,280	\$ 190,340
Less: Grant Payments received in current year	(471,402)	(60,981)	(58,889)	(393,280)	(190,340)
Less: Grant Payments received in prior year	-	(31,442)	-	-	-
Grant Receivable/ (Payable) at June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>16RPA- R10</u>	<u>15RPA- R10</u>	<u>EDA 05-83- 05172</u>	<u>CDBG 08-DRH-005</u>	<u>CDBG 08-DRH-205</u>	<u>USDA</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
198,509	-	137,962	(74,100)	683,698	35,638	4,077,870
-	-	-	-	-	-	145,355
-	187,614	-	6,270,395	8,205,283	-	14,700,284
<u>\$ 198,509</u>	<u>\$187,614</u>	<u>\$137,962</u>	<u>\$6,196,295</u>	<u>\$8,888,981</u>	<u>\$ 35,638</u>	<u>\$18,923,509</u>
80%	80%	50%	100%	100%	67%	
<u>\$ 158,807</u>	<u>\$150,091</u>	<u>\$ 68,981</u>	<u>\$6,196,295</u>	<u>\$8,888,981</u>	<u>\$ 23,878</u>	<u>\$22,172,477</u>
<u>\$ 158,807</u>	<u>\$150,091</u>	<u>\$ 62,000</u>	<u>\$6,730,775</u>	<u>\$9,209,931</u>	<u>\$ 55,000</u>	<u>\$22,089,463</u>
\$ 158,807	\$150,091	\$ 62,000	\$6,196,295	\$8,888,981	\$ 23,878	\$16,686,386
(85,917)	(24,369)	(62,000)	74,100	(683,698)	(23,878)	(1,980,654)
-	(125,722)	-	(6,270,395)	(8,205,283)	-	(14,632,842)
<u>\$ 72,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,890</u>

SCHEDULE 2

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Direct:			
Department of Commerce:			
Economic Development Administration:			
Economic Development Support	11.302	05-83-05587	\$ 62,000
Economic Adjustment Assistance	11.307	05-79-04694	4,552,254
Total Direct Awards			<u>\$4,614,254</u>
Indirect:			
Department of Agriculture:			
USDA Rural Development:			
Solid Waste Management	10.762	0348-0004	<u>\$ 23,878</u>
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Linn County:			
Community Development Block Grant Program	14.228	08-DRH-005	\$ (74,100)
	14.228	08-DRH-205	683,698
			<u>\$ 609,598</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	16-RPA10	<u>\$ 126,783</u>
Formula Grants for other than Urbanized Areas	20.509	18-0031-100-16	\$ 393,280
	20.509	16-RPA10	32,018
	20.509	85-0634-100-15	58,889
			<u>\$ 484,187</u>
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	16-X005-100-15	<u>\$ 190,340</u>
Bus and Bus Facilities Formula Program	20.526	34-0003-100-14	<u>\$ 60,981</u>
Total Indirect Awards			<u>\$1,495,767</u>
Total			<u>\$6,110,021</u>

(continued)

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Computation of CFDA Number 11.307-Economic Adjustment Assistance

	Grant Number 05-79-04694
Balance of RLF loans outstanding 6/30/16	\$ 3,784,986
RLF cash 6/30/16	439,635
Administrative expense paid out in 2016	94,781
Principal balance written off in 2016	<u>536,336</u>
Total	\$ 4,855,738
Federal percentage	93.75%
 Amount included on Schedule of Expenditures of Federal Awards	 <u><u>\$ 4,552,254</u></u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of ECICOG under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of ECICOG, it is not intended to and does not present the financial position, changes in financial position or cash flows of ECICOG.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

See Accompanying Independent Auditor's Report.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
East Central Iowa Council of Governments:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of ECICOG, as of and for the years ended June 30, 2016, 2015 and 2014 and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued my report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered ECICOG's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ECICOG's internal control. Accordingly, I do not express an opinion on the effectiveness of ECICOG's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of ECICOG's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-16 and II-B-16 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There are no deficiencies described in Part II of the accompanying Schedule of Findings that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ECICOG's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted one immaterial instance of non-compliance or other matters which is described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

ECICOG's Responses to the Findings

ECICOG's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. ECICOG's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of ECICOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script, appearing to read "Larry Pump".

Charles City, Iowa
November 14, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
East Central Iowa Council of Governments:

Report on Compliance for Each Major Federal Program

I have audited East Central Iowa Council of Government's (ECICOG's) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on ECICOG's major federal program for the year ended June 30, 2016. ECICOG's major federal program is identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for ECICOG's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ECICOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of ECICOG's compliance.

Opinion on Each Major Federal Program

In my opinion, ECICOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of ECICOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered ECICOG's

internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of ECICOG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings as item III-A-16, I consider to be a material weakness.

ECICOG's response to the internal control over compliance finding identified in my audit is reported in the accompanying Schedule of Findings. ECICOG's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Larry Pump". The signature is written in a cursive, flowing style.

Charles City, Iowa
November 14, 2016

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2016

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major program was CFDA Number 11.307 - Economic Adjustment Assistance.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) ECICOG did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash revenues and expenses are all done by the same individual.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, ECICOG should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response and Corrective Action Plan - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. ECICOG should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-16 Post-dated Checks - I noted Agency checks are being post-dated. Checks are clearing the bank on a date prior to the date the check is issued.

Recommendation - Checks should be written in sequential order and post-dating should be avoided.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2016

Part II: Findings Related to the Financial Statements: - continued

Response - We will do this.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 11.307: Economic Adjustment Assistance

Federal Award Year: 2016

U.S. Department of Commerce

III-A-16 Segregation of Duties over Federal Revenues and Expenses - As (2016-001) previously identified in the fiscal year 2015 audit report as item III-A-15, the Agency did not properly segregate custody, recordkeeping and reconciling functions for revenues and expenses, including those related to federal programs. See item II-A-16.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-16 Questionable Expenses - No expenses I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-B-16 Travel Expense - No expenses of ECICOG money for travel expenses of spouses of ECICOG officials or employees were noted.

IV-C-16 Business Transactions - No business transactions between ECICOG and ECICOG officials or employees were noted.

IV-D-16 Bond Coverage - Surety bond coverage of ECICOG officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-E-16 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and ECICOG's investment policy were noted.

IV-F-16 Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2016

Part IV: Other Findings Related to Required Statutory Reporting: - continued

IV-G-16 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the Agency to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Agency does not receive an image of the back of each cancelled check for several bank accounts.

Recommendation - The Agency should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

Response - We will look into this.

Conclusion - Response acknowledged